

Interim Report 2009



**SHOUGANG CONCORD CENTURY
HOLDINGS LIMITED**

Stock Code : 103

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CORPORATE PROFILE

Shougang Concord Century Holdings Limited (“Shougang Century” or the “Company”; together with its subsidiaries, collectively the “Group”) is one of the leading manufacturers of steel cord in the PRC. In addition, the Group is engaged in the domestic sales and processing and trading of copper and brass products.

Shougang Century has been listed on the Main Board of the Stock Exchange since April 1992 (Stock Code: 103). Shougang HK and its controlled corporations, Bekaert and Li Ka Shing Foundation are the substantial shareholders of the Company.

In order to enlarge the steel cord market share in both PRC and overseas, Shougang Century will increase the production capacity of its major steel cord manufacturing plants located at Jiaxing City, Zhejiang Province as well as at Tengzhou City, Shandong Province. It will also expand other metal products production and develop distribution markets for copper and metal products, with the aim of consolidating its leadership in Mainland China.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Cao Zhong (*Chairman*)
 Li Shaofeng (*Managing Director*)
 Tong Yihui (*Deputy Managing Director*)
 Tang Cornor Kwok Kau
 (*Deputy Managing Director*)
 Geert Johan Roelens

Non-executive Director

Leung Shun Sang, Tony

Independent Non-executive Directors

Yip Kin Man, Raymond
 Law, Yui Lun
 Chan Chung Chun

Audit Committee

Yip Kin Man, Raymond (*Chairman*)
 Law, Yui Lun
 Chan Chung Chun

Remuneration Committee

Leung Shun Sang, Tony (*Chairman*)
 Cao Zhong (*Vice Chairman*)
 Yip Kin Man, Raymond
 Law, Yui Lun
 Chan Chung Chun

Nomination Committee

Cao Zhong (*Chairman*)
 Leung Shun Sang, Tony (*Vice Chairman*)
 Yip Kin Man, Raymond
 Law, Yui Lun
 Chan Chung Chun

Authorised Representatives

Tang Cornor Kwok Kau
 Chan Lai Yee

Company Secretary

Chan Lai Yee

Qualified Accountant

Wu Siu Man

CORPORATE INFORMATION (continued)

Principal Bankers	Bank of China Bank of Communications Co., Ltd. DBS Bank (Hong Kong) Limited Hang Seng Bank Limited Industrial and Commercial Bank of China Industrial and Commercial Bank of China (Asia) Limited The Bank of East Asia, Limited
Auditors	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i>
Share Registrars	Tricor Tengis Limited 26/F, Tesbury Centre 28 Queen's Road East Hong Kong
Registered Office	5th Floor, Bank of East Asia Harbour View Centre 51-57 Gloucester Road Wanchai Hong Kong
Website	http://www.shougangcentury.com.hk
HKEx Stock Code	103
Listing Date	9 April 1992

INFORMATION FOR INVESTORS

Share Information

Board lot size:	2,000 Shares
Nominal value per Share:	HK\$0.10
Shares outstanding as at 30 June 2009:	1,902,344,556 Shares
Market capitalization as at 30 June 2009:	HK\$1,179,453,624
Closing stock price as at 30 June 2009:	HK\$0.62
Earnings per Share (basic) for the six months ended 30 June 2009:	HK cents 4.56

Key Date

Announcement of 2009 Interim Results:	7 September 2009
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Investor Relations Contact

Address:	5th Floor, Bank of East Asia Harbour View Centre 51-57 Gloucester Road, Wanchai, Hong Kong
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Fax:	(852) 2861 3527
E-mail address:	business_link@shougangcentury.com.hk ir@shougangcentury.com.hk scchl@shougangcentury.com.hk
Website:	http://www.shougangcentury.com.hk

Shareholder Enquiries

Any matters relating to your shareholding, e.g. transfer of Shares, change of name or address, lost share certificates and dividend warrants, should be sent in writing to:

Tricor Tengis Limited

Address:	26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong
Telephone:	(852) 2980 1888
Fax:	(852) 2810 8185
Website:	http://www.hk.tricorglobal.com

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2009	2008	change
	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	%
Operations			
Revenue	422,712	426,809	-0.96
Gross profit	48,352	58,343	-17.12
Earnings before interest, tax, depreciation and amortisation	131,084	72,252	+81.43
Profit for the period	85,678	30,658	+179.46
Earnings per Share (basic) (cents)	4.56	1.67	+173.05
	30 June	31 December	
	2009	2008	
	(Unaudited)	(Audited)	change
	HK\$'000	HK\$'000	%
Financial position			
Total assets	2,355,266	2,095,651	+12.39
Shareholders' equity	1,963,284	1,835,845	+6.94
Net asset value per Share	HK\$1.03	HK\$0.98	+5.10

BUSINESS CONTACTS**Jiaxing Eastern Steel Cord Co., Ltd.**

Address: 1 Dong Fang Road, Economic Development Zone
Jiaxing, Zhejiang Province, PRC

Postal code: 314003

Telephone: (86) 573 8221 3511

Fax: (86) 573 8221 3500

Website: <http://www.etirecord.com>

E-mail address: jemarket@mail.jxptt.zj.cn
easteel@mail.jxptt.zj.cn

**Tengzhou Eastern Steel Cord Co., Ltd.**

Address: 1 Dong Fang Road
Tengzhou City, Shandong Province, PRC

Postal code: 277500

Telephone: (86) 632 525 2100

Fax: (86) 632 525 2111

**Hing Cheong Metals (China & Hong Kong) Limited**

Address: Unit 2-3, G/F., TCL Tower, 8 Tai Chung Road
Tsuen Wan, Hong Kong

Telephone: (852) 2498 7800

Fax: (852) 2498 7912

Website: <http://www.shougangcentury.com.hk>

E-mail address: business_link@shougangcentury.com.hk

**Dongguan Xingtong Metal Ltd.**

Address: San Zhong Jinlong Industrial Zone, Qingxi Dongguan
Guangdong Province, PRC

Postal code: 523660

Telephone: (86) 769 8709 1818

Fax: (86) 769 8709 1810

BUSINESS GROWTH

Jiaxing Eastern Steel Cord Co., Ltd. (“JESC”)

JESC, a steel cord production plant located at Jiaxing City, Zhejiang Province, recorded the unprecedented level of sales volume of approximately 14,900 tonnes in the second quarter of 2009, especially that of approximately 5,300 tonnes in April.



Tengzhou Eastern Steel Cord Co., Ltd. (“TESC”)

After a foundation-laying ceremony held in November last year, an official ribbon cutting ceremony took place on 8 June 2009. TESC, a steel cord production plant located at Tengzhou City, Shandong Province, started its brass coated wire production line.



On 6 August 2009, TESC had started to run its production line of final product – steel cord. The annual production capacity is expected to reach 30,000 tonnes at the end of 2009.

Dongguan Xingtong Metal Ltd. (“Xingtong Metal”)

Despite the volatility in the export market, the domestic sale of copper and brass products of Xingtong Metal, a plant located at Dongguan, Guangdong Province, continued to increase during the period under review.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.**德勤**

**TO: THE BOARD OF DIRECTORS OF
SHOUGANG CONCORD CENTURY HOLDINGS LIMITED**
首長實佳集團有限公司
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 10 to 33, which comprises the condensed consolidated statement of financial position of Shougang Concord Century Holdings Limited (the "Company") and its subsidiaries as of 30 June 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
7 September 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
Revenue	3	422,712	426,809
Cost of sales		(374,360)	(368,466)
		48,352	58,343
Gross profit			
Investment income	4	1,811	6,125
Other income and gains	5	92,324	55,992
Other expense and losses	6	(2,672)	(16,539)
Distribution and selling expenses		(7,327)	(6,433)
Administrative expenses		(30,459)	(50,358)
Finance costs	7	(1,240)	(1,940)
Share of (loss) profit of a jointly controlled entity		(1,461)	1,021
		99,328	46,211
Profit before tax			
Income tax expenses	8	(13,650)	(15,553)
		85,678	30,658
Profit for the period	9		
		HK4.56 cents	HK1.67 cents
Earnings per share	10		
Basic			
		HK4.53 cents	HK1.63 cents
Diluted			

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Profit for the period	85,678	30,658
Other comprehensive income		
Exchange differences arising on translation of foreign operations	1,267	79,553
Gain (loss) on fair value change of listed available-for-sale investments	30,037	(146,898)
Reversal of deferred tax liability of listed available-for-sale investments	–	25,487
Released from other comprehensive income in relation to disposal of listed available-for-sale investments	–	(56,657)
Reversal of deferred tax liability upon disposal of listed available-for-sale investments	–	5,604
Other comprehensive income for the period (net of tax)	31,304	(92,911)
Total comprehensive income for the period	116,982	(62,253)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	<i>Notes</i>	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Non-current assets			
Investment properties	12	18,398	18,396
Property, plant and equipment	12	1,121,864	843,007
Prepaid lease payments		108,574	31,974
Goodwill		41,672	41,672
Interests in a jointly controlled entity		–	26,186
Club memberships		719	719
Available-for-sale investments	13	59,255	29,218
Deposit paid for the acquisition of prepaid lease		–	13,040
		1,350,482	1,004,212
Current assets			
Inventories		133,717	233,095
Trade receivables	14	264,030	197,929
Bills receivable	14	260,901	172,865
Entrusted loan receivable		–	17,009
Prepayments, deposits and other receivables		37,529	64,549
Prepaid lease payments		4,483	1,333
Amounts due from related companies	15	492	949
Tax recoverable		1,388	1,388
Restricted bank deposits		49,009	3,000
Bank balances and cash		228,511	399,322
		980,060	1,091,439
Non-current assets classified as held for sale	16	24,724	–
		1,004,784	1,091,439
Current liabilities			
Trade payables	17	90,718	75,545
Other payables and accruals		94,244	53,742
Tax payable		16,828	5,622
Amount due to a jointly controlled entity		4,191	4,189
Derivative financial instrument		–	1,396
Bank borrowings – due within one year	18	149,995	55,877
		355,976	196,371
Net current assets		648,808	895,068
Total assets less current liabilities		1,999,290	1,899,280

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**(continued)**

At 30 June 2009

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Bank borrowings – due after one year	18	29,979	59,854
Other payable		1,541	1,425
Deferred tax liabilities		3,646	1,316
		35,166	62,595
		1,964,124	1,836,685
Capital and reserves			
Share capital	19	190,235	186,774
Reserves		1,773,049	1,649,071
Equity attributable to equity holders of the Company		1,963,284	1,835,845
Share option reserve of a subsidiary		840	840
		1,964,124	1,836,685

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Share capital	Share premium	Capital reserve	Capital redemption reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Share option reserve	PRC reserve funds	Retained profits	Total attributable to equity holders of the Company	Equity component of share option reserve of a subsidiary	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2008 (audited)	138,435	520,149	23,990	1,013	8,394	291,481	93,433	451	44,071	377,672	1,499,089	840	1,499,929
Profit for the period	-	-	-	-	-	-	-	-	-	30,658	30,658	-	30,658
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-
- subsidiaries	-	-	-	-	-	-	76,962	-	-	-	76,962	-	76,962
- jointly controlled entity	-	-	-	-	-	-	2,591	-	-	-	2,591	-	2,591
Loss on fair value change of listed available-for-sale investments	-	-	-	-	-	(146,898)	-	-	-	-	(146,898)	-	(146,898)
Reversal of deferred tax liability of listed available-for-sale investments (Note)	-	-	-	-	-	25,487	-	-	-	-	25,487	-	25,487
Reversal of deferred tax liability upon partial disposal of listed available-for-sale investments	-	-	-	-	-	5,604	-	-	-	-	5,604	-	5,604
Reserve release upon partial disposal of listed available-for-sale investments	-	-	-	-	-	(56,657)	-	-	-	-	(56,657)	-	(56,657)
Total comprehensive income for the period	-	-	-	-	-	(172,464)	79,553	-	-	30,658	(62,253)	-	(62,253)
Share issued at premium	50,050	465,320	-	-	-	-	-	-	-	-	515,370	-	515,370
Share issue expenses	-	(711)	-	-	-	-	-	-	-	-	(711)	-	(711)
Recognition of equity settled share-based payments	-	-	-	-	-	-	-	26,765	-	-	26,765	-	26,765
Transfer	-	-	-	-	-	(1,074)	-	-	-	1,074	-	-	-
Payment of dividends (Note 11)	-	-	-	-	-	-	-	-	-	(18,849)	(18,849)	-	(18,849)
Balance at 30 June 2008 (unaudited)	188,485	984,758	23,990	1,013	8,394	117,943	172,986	27,216	44,071	390,555	1,959,411	840	1,960,251

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2009

	Share capital	Share premium	Capital reserve	Capital redemption reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Share option reserve	PRC reserve funds	Retained profits	Total attributable to equity holders of the Company	Equity component of share option reserve of a subsidiary	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2009 (audited)	186,774	984,775	23,990	2,724	9,901	16,488	172,919	27,242	49,704	361,328	1,835,845	840	1,836,685
Profit for the period	-	-	-	-	-	-	-	-	-	85,678	85,678	-	85,678
Exchange differences arising on translation of foreign operations - subsidiaries	-	-	-	-	-	-	1,267	-	-	-	1,267	-	1,267
Gain on fair value change of listed available-for-sale investments	-	-	-	-	-	30,037	-	-	-	-	30,037	-	30,037
Total comprehensive income for the period	-	-	-	-	-	30,037	1,267	-	-	85,678	116,982	-	116,982
Share issued at premium	3,461	6,978	-	-	-	-	-	-	-	-	10,439	-	10,439
Share issue expenses	-	(7)	-	-	-	-	-	-	-	-	(7)	-	(7)
Recognition of equity settled share-based payments	-	-	-	-	-	-	-	25	-	-	25	-	25
Balance at 30 June 2009 (unaudited)	190,235	991,746	23,990	2,724	9,901	46,525	174,186	27,267	49,704	447,006	1,963,284	840	1,964,124

Note: Pursuant to the Second Protocol to Arrangement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "Second Protocol"), a gain derived by a Hong Kong company from the alienation of shares in a Mainland company would be exempted from the People's Republic of China (the "PRC") withholding tax provided that the Mainland company is not a company principally holding of immovable property and the shareholding in the Mainland company held by such Hong Kong company remains less than 25% during the 12 month period prior to the alienation.

The Second Protocol has become effective since 11 June 2008 after its ratification and approval procedures were completed.

On the basis of the aforementioned, the deferred tax liabilities previously recognized in the investment revaluation reserve in relation to the revaluation of shares in Xinyu Iron & Steel Co., Ltd. ("Xinyu Iron") was reversed in the period ended 30 June 2008 as the directors of the Company considered that Xinyu Iron was not a property holding company and the Company and its subsidiaries did not hold more than 25% of Xinyu Iron's shares during the past twelve months.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	<i>HK\$'000</i>
Net cash from (used in) operating activities	77,639	(24,291)
Net cash used in investing activities:		
Purchase of property, plant and equipment	(226,845)	(115,648)
Addition of prepaid lease payments	(67,889)	(12,110)
Increase in restricted bank deposits	(46,009)	–
Decrease in entrusted loan receivable	17,009	–
Dividend received from listed available-for-sale investments	591	1,841
Dividend received from a jointly controlled entity	–	4,792
Proceeds from disposal of listed available-for-sale investments	–	59,360
	(323,143)	(61,765)
Net cash from financing activities:		
New bank loans raised	105,544	95,892
Proceeds from issue of shares	10,439	515,370
Repayment of bank loans	(41,854)	(229,665)
Dividends paid	–	(18,849)
Other financing cash flows	408	(711)
	74,537	362,037
Net (decrease) increase in cash and cash equivalents	(170,967)	275,981
Cash and cash equivalents at 1 January	399,322	393,624
Effect of foreign exchange rate changes	156	8,833
Cash and cash equivalents at 30 June, represented by bank balances and cash	228,511	678,438

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting*.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except for as described below.

Interests in jointly controlled entities

The results and assets and liabilities of jointly controlled entities are incorporated in the condensed consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (see accounting policy on non-current assets held for sale below). The results and assets and liabilities of a jointly controlled entity using the equity method of accounting will cease upon the reclassification of interests in a jointly controlled entity into non-current assets held for sale.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Effective from 1 January 2009, the Group adopted the weighted average method to determine the cost for copper and brass products in preparing the condensed consolidated interim financial statements. Previously, cost was determined on the first-in, first-out basis. The weighted average costing method has been used as the directors of the Company consider that it will more appropriately reflect the fluctuations of purchase prices of the Group's copper and brass products in recent years. The directors of the Company estimate that the change in accounting policy has an immaterial impact on the Group's copper and brass products as at 30 June 2009 and the amounts reported in prior accounting periods. As such, a prior period/year adjustment as required by HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* has not been incorporated in the condensed consolidated interim financial statements.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 *Presentation of Financial Statements* (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 *Operating Segments* is a disclosure Standard. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 *Segment Reporting* (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 *Business Combinations* (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 *Consolidated and Separate Financial Statements* (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as starting point for the identification of such segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In the past, the Group's primary reporting format for business segments was: (i) steel cord; (ii) copper and brass products; (iii) investment; and (iv) others (mainly comprising trading of pre-stressed concrete strands and wires and property investment). However, for the purpose of resources allocation and assessment of performance, the Company's managing director, CODM of the Group, is more specifically focused on the steel cord segment and the copper and brass products segment. Investment and others segment information is not reported internally to the Company's managing director. The Group's reportable segments under HKFRS 8 are therefore as follows:

- i) The steel cord segment comprising the manufacturing of steel cords; and
- ii) The copper and brass products segment comprising the processing and trading of copper and brass products.

Information regarding the above segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

3. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

For the six months ended 30 June 2009

	Steel cord (Unaudited) HK\$'000	Copper and brass products (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue			
External customers	367,314	43,189	410,503
Inter-segment sales	–	1,756	1,756
	<u>367,314</u>	<u>44,945</u>	<u>412,259</u>
Total	<u>367,314</u>	<u>44,945</u>	<u>412,259</u>
Segment results	<u>115,000</u>	<u>(433)</u>	<u>114,567</u>

Inter-segment sales are charged at prevailing market rates.

Reconciliation of revenue

	(Unaudited) HK\$'000
Total revenues for reportable segments	412,259
Rental income and revenue for trading of pre-stressed concrete strands and wires	12,209
Elimination of inter-segment sales	(1,756)
	<u>422,712</u>
Group's revenue	<u>422,712</u>

Reconciliation of reporting segment profit before tax

	(Unaudited) HK\$'000
Total profit for reportable segments	114,567
Loss arising from trading of pre-stressed concrete strands and wires and property investment	(1,724)
Unallocated amounts	
Unallocated income	4,220
Unallocated expenses	(15,034)
Unallocated finance costs	(1,240)
Share of loss of a jointly controlled entity	(1,461)
	<u>99,328</u>
Profit before tax	<u>99,328</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

3. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2008

	Steel cord (Unaudited) HK\$'000	Copper and brass products (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue			
External customers	292,717	119,170	411,887
Inter-segment sales	–	97	97
Total	<u>292,717</u>	<u>119,267</u>	<u>411,984</u>
Segment results	<u>38,519</u>	<u>5,230</u>	<u>43,749</u>

Inter-segment sales are charged at prevailing market rates.

Reconciliation of revenue

	(Unaudited) HK\$'000
Total revenues for reportable segments	411,984
Rental income and revenue for trading of pre-stressed concrete strands and wires	14,922
Elimination of inter-segment sales	(97)
Group's revenue	<u>426,809</u>

Reconciliation of reporting segment profit before tax

	(Unaudited) HK\$'000
Total profit for reportable segments	43,749
Profit arising from trading of pre-stressed concrete strands and wires and property investment	1,751
Unallocated amounts	
Unallocated income	6,147
Unallocated expenses	(57,715)
Unallocated finance costs	(1,940)
Gain on disposal of listed available-for-sale investments	53,198
Share of profit of a jointly controlled entity	1,021
Profit before tax	<u>46,211</u>

Segment profit represents the profit earned by each segment without allocation of central administration costs and the emoluments of directors of the Company, share of (loss) profit of a jointly controlled entity, gain on disposal of listed available-for-sale investments, interest income on bank deposits, dividend income from listed available-for-sale investments, gain on fair value change of leveraged foreign exchange contract, commission income and finance costs. This is the measure reported to the Company's managing director for the purposes of resources allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

4. INVESTMENT INCOME

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on bank deposits	1,220	4,284
Dividend income from listed available-for-sale investments	591	1,841
	1,811	6,125

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Government grants (<i>Note</i>)	89,732	–
Change in fair value of leveraged foreign exchange contract		
– realised gain	1,396	–
Commission income	999	–
Gain on disposal of listed available-for-sale investments (<i>Note 13</i>)	–	53,198
Reversal of allowance for bad and doubtful debts	–	2,398
Others	197	396
	92,324	55,992

Note: The amount includes an amount of approximately HK\$89,000,000 unconditional grant from the local government of Tengzhou City in the PRC. The management considered the grant is a financial subsidy to the Group with no further related cost to be incurred.

The remaining amount of approximately HK\$1,000,000 unconditional grant was received from the local government as an incentive in relation to the compliance with the environmental regulations in Jiaying City in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

6. OTHER EXPENSE AND LOSSES

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Foreign exchange loss	2,636	16,335
Allowance for bad and doubtful debts	36	–
Change in fair value of derivative financial instrument	–	204
	<u>2,672</u>	<u>16,539</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest expense on bank borrowings wholly repayable within five years	1,107	3,635
Other finance costs	133	731
Total borrowing costs	1,240	4,366
Less: amounts capitalised	–	(2,426)
	<u>1,240</u>	<u>1,940</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
The charge comprises:		
Current tax:		
Hong Kong	–	709
PRC enterprise income tax	16,985	13,660
	16,985	14,369
Over provision in prior periods:		
PRC enterprise income tax	(5,664)	–
Deferred tax	2,329	1,184
Income tax expenses	13,650	15,553

No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements for the six months ended 30 June 2009 as the Group has no assessable profit arising in Hong Kong. Hong Kong profits tax was calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2008.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law (the "Implementation Regulation"). Under the New Law and Implementation Regulation, the Company's major subsidiaries in the PRC are subject to a respective tax rate of 18%, 20%, 22%, 24% and 25% for the years ending 31 December 2008, 2009, 2010, 2011 and 2012 onwards, respectively. The tax rate for these subsidiaries was 20% (2008: 18%) for the six months ended 30 June 2009.

Pursuant to approval granted by Jiaxing Municipal office of State Administration of Taxation, a subsidiary of the Company can enjoy a tax credit of approximately RMB5,019,000 (equivalent to HK\$5,664,000) (2008: Nil) against its enterprise income tax for purchasing domestically made plant and machineries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	29,324	23,511
Amortisation of prepaid lease payments (included in "Cost of sales")	1,192	590
Share of tax of a jointly controlled entity (included in "Share of (loss) profit of a jointly controlled entity")	204	278
Loss on disposal of property, plant and equipment	130	-
Share-based payment expenses	25	26,765
	<u>29,875</u>	<u>26,765</u>

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit for the period for the purposes of calculation of basic and diluted earnings per share	85,678	30,658
	<u>85,678</u>	<u>30,658</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

10. EARNINGS PER SHARE (continued)

	Six months ended 30 June	
	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	1,877,424,557	1,838,082,820
Effect of dilutive potential ordinary shares:		
Share options	11,949,754	37,826,575
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	1,889,374,311	1,875,909,395

11. DIVIDENDS

	Six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
2007 final dividend of HK1 cent per share (2009: Nil)	—	18,849

No dividend was paid, declared or proposed during the reporting period, the directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2009

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group spent approximately HK\$296,759,000 (2008: HK\$114,670,000) on the construction of its new steel cord manufacturing plants in the PRC, in order to expand its production capacities. In addition, the Group also acquired approximately HK\$11,133,000 (2008: HK\$978,000) of other property, plant and equipment during the period.

At 30 June 2009, the directors of the Company considered the carrying amounts of the Group's leasehold land and buildings carried at revalued amounts and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the reporting date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

At 30 June 2009, the Group's investment properties are measured at fair value by the directors of the Company with reference to market evidence of transaction prices for similar properties in similar locations and conditions. No gains or losses arising from changes in the fair value have been recognised in profit or loss during the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

13. AVAILABLE-FOR-SALE INVESTMENTS

In 2007, Xinhua Metal Products Co., Ltd. ("Xinhua Metal"), an associate of the Group with its shares listed on the Shanghai Stock Exchange, announced a plan (the "Plan") to acquire the assets and business of its major shareholder, Xinyu Iron & Steel Co., Ltd. (新余鋼鐵有限責任公司). All necessary approvals were obtained on 22 October 2007 and the Plan became unconditional. Further to the completion of the Plan, Xinhua Metal changed its name to Xinyu Iron & Steel Co., Ltd. (新余鋼鐵股份有限公司) ("Xinyu Iron"). Since then, the representative of the Group could no longer participate in major financial and operating policy decision of Xinyu Iron, and accordingly, the Group considered that its significant influence in Xinyu Iron was lost. The Group had since then reclassified the investment in Xinyu Iron as available-for-sale investments.

During the six months ended 30 June 2008, the Group disposed 3,468,316 "A" shares of Xinyu Iron (2009: Nil). The net proceeds from the disposal in aggregate were approximately HK\$59,360,000, resulting a gain of approximately HK\$53,198,000.

At as 30 June 2009, available-for-sale investments represent the Group's investment in 8,678,641 "A" shares of Xinyu Iron, which are restricted for selling on the Shanghai Stock Exchange prior to 24 October 2009. The restricted A-shares of Xinyu Iron are not quoted on an active market, the directors of the Company estimate their fair value by reference to market prices and lack of marketability discount based on the put option method.

14. TRADE RECEIVABLES/BILLS RECEIVABLE

The Group normally allows an average credit period of 30 to 90 days to its trade customers.

The following is an analysis of trade and bills receivables by age presented based on the invoice date:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
0 – 90 days	450,609	197,739
91 – 180 days	68,554	170,946
Over 180 days	5,768	2,109
	524,931	370,794

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

15. AMOUNTS DUE FROM RELATED COMPANIES

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Amounts due from subsidiaries of Shougang Concord Technology Holdings Limited (collectively "Shougang TECH Group") (Note)	492	949

Note: The amounts are trade in nature, unsecured and non-interest bearing. The Group normally allows credit periods of 60 to 90 days to Shougang TECH Group. The analysis of the amount due from Shougang TECH Group by age presented based on the invoice date, is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
0 – 90 days	378	377
91 – 180 days	16	572
Over 180 days	98	–
	492	949

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The Group has a 25% equity interest in a jointly controlled entity, Shanghai Shenjia Metal Products Co., Ltd. ("Shanghai Shenjia"). The management considered that all the criteria in HKFRS 5 for classification as held for sale have been met on 30 June 2009. The results of Shanghai Shenjia has been recognised by the Group up to 30 June 2009. The Group's interest in Shanghai Shenjia as at 30 June 2009 is classified as non-current assets held for sale and is presented separately on the condensed consolidated statement of financial position.

On 8 July 2009, the Group entered into an equity interest transfer agreement in relation to sale of the Group's entire 25% equity interest in Shanghai Shenjia to its substantial shareholder with 75% equity interest in Shanghai Shenjia for a consideration of RMB40,000,000 (approximately HK\$45,360,000).

The consideration of disposal exceed the carrying amount of the relevant asset, accordingly, no impairment loss has been recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

17. TRADE PAYABLES

The following is an analysis of trade payables by age presented based on the invoice date:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
0 – 90 days	87,930	72,466
91 – 180 days	202	2,033
Over 180 days	2,586	1,046
	90,718	75,545

18. BANK BORROWINGS

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Secured	101,621	25,976
Unsecured	78,353	89,755
	179,974	115,731

During the period, the Group obtained new bank borrowings of approximately HK\$105,544,000 (2008: HK\$95,892,000) and repaid bank borrowings of approximately HK\$41,854,000 (2008: HK\$229,665,000). These borrowings carry interest at market rates ranging from 1.00% to 4.39% per annum (2008: 2.90% to 6.75% per annum) and are repayable over a period of one to two years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

19. SHARE CAPITAL

Ordinary shares of HK\$0.10 each

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 January 2009 and 30 June 2009	5,000,000	500,000
Issued and fully paid:		
At 1 January 2009	1,867,737	186,774
Exercise of share options (34,608,000 ordinary shares of HK\$0.10 each)	34,608	3,461
At 30 June 2009	1,902,345	190,235

20. SHARE-BASED PAYMENT

The Company has adopted a share option scheme for directors, employees and other eligible participants of the Group. The movements of share options during the six months ended 30 June 2009 are as follows:

	Number of share options
Outstanding at 1 January 2009	317,744,000
Exercised during the period	(34,608,000)
Cancelled during the period	(9,152,000)
Outstanding at 30 June 2009	273,984,000

The weighted average closing price of the Company's shares immediately before the dates (i.e. 7/5/2009, 8/5/2009, 12/5/2009 and 2/6/2009) on which the share options were exercised was HK\$0.49.

The share option granted to an employee to subscribe for up to 10% equity interest in Rise Boom International Limited, an indirect wholly owned subsidiary of the Company, remained outstanding at 30 June 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

21. CAPITAL COMMITMENTS

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the condensed consolidated financial statements	181,968	353,133
– authorised but not contracted for	94,013	310,526
	275,981	663,659

22. EVENT AFTER THE END OF INTERIM PERIOD

As disclosed in note 16, the Group disposed of its entire 25% equity interest in Shanghai Shenjia on 8 July 2009.

23. MAJOR NON-CASH TRANSACTIONS

During the period, deposit paid for acquisition of prepaid lease of approximately HK\$13,040,000 was transferred to prepaid lease payments.

The Group acquired property, plant and equipment of approximately HK\$81,047,000 (2008: Nil). The aggregate consideration has not been paid and was included in other payables and accruals at 30 June 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2009

24. RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with Shougang Holding (Hong Kong) Limited ("Shougang HK") and its subsidiaries (collectively the "Shougang HK Group") and Shougang TECH Group. Shougang HK is a substantial shareholder of the Company and Shougang Concord Technology Holdings Limited.

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	<i>HK\$'000</i>
Consultancy fees paid to Shougang HK Group	480	480
Sales to Shougang TECH Group	827	1,833
Rental expenses paid to Shougang HK Group	804	804
	1,111	3,117

Compensation of key management personnel

The key management of the Group comprises all directors of the Company, details of their emoluments are as follows:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	<i>HK\$'000</i>
Short-term benefit	4,123	5,566
Share-based payment	–	18,793
	4,123	24,359

The emoluments of the directors of the Company were decided by the remuneration committee of the Company having regard to individual's performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global financial turmoil originated at the fourth quarter of 2008 continued to have adverse impact on the worldwide economy in the first half year of 2009, external market demand remained sluggish in general. The Group was inevitably affected by the financial turmoil during the first quarter and incurred loss of approximately HK\$17,748,000 (excluding government grants and share of results of a jointly controlled entity which has been disposed in July 2009). However, with the implementation of the RMB4,000 billion economic stimulation program by the Central government, the economy of the Mainland China had shown signs of gradual stabilization since March. In the second quarter, with the increase in production capacity and sales of our steel cord segment, the Group was able to turnaround and achieved profit of HK\$29,050,000 (excluding government grants and share of results of a jointly controlled entity which has been disposed in July 2009), a significant improvement as compared to the first quarter of the year. The demand for our products, steel cords rebounded significantly during the second quarter. Benefited from the rising demand and increased production capacity of our steel cord manufacturing plants, the Group's sales of steel cords achieved a satisfactory growth for the reporting period.

Furthermore, the Group's Steel cord segment received unconditional government grants totalling HK\$89,732,000 during the period, as encouragement for its business development and incentive for compliance with the relevant environmental regulations in the respective regions in the PRC. The government grants contributed a net profit of HK\$75,837,000 to the Group for the period after deducting the attributable enterprise income tax.

With respect to the Copper and brass products segment, as its sales were still mainly related to the export market in the first half year, its business was deeply affected by the weak demand in the western countries. As a result, this segment recorded loss in the period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**BUSINESS REVIEW (continued)****Steel cord**

During the first quarter of 2009, the Group's Steel cord segment was still affected by the global weak economy since the fourth quarter of 2008 and hence, it incurred an operating loss in the first quarter. However, in the second quarter, the economy of the Mainland China began to stabilize since the implementation of the economic stimulation program by the Central Government that gave impetus to the automobile market and in turn steel cord industry, production and sales of steel cords progressively increased and the operating result of this segment showed great improvement and resumed to profitability. An overview of the operating performance of this segment in the first half year is as follows:

	1st quarter	2nd quarter	Change over the first quarter	For the first half year
	<i>Tonne</i>	<i>Tonne</i>	<i>%</i>	<i>Tonne</i>
Sales volume	9,073	14,933	+64.6	24,006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>
Revenue	139,499	227,815	+63.3	367,314
Gross profit	6,735	38,123	+466.0	44,858
Gross profit margin	4.8%	16.7%		12.2%
Operating profit (loss), excluding government grants	(1,762)	27,030	N/A	25,268

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**BUSINESS REVIEW (continued)****Steel cord (continued)**

The Group's Steel cord segment achieved a sales volume growth of 23.4% over the same period last year to 24,006 tonnes (2008: 19,448 tonnes) for the period. The growth in sales volume was mainly contributed by the progressive increase in sales during the second quarter of 2009. The analysis of sales volume during the period and the comparison with the same period last year is shown respectively as follows:

	For the six months ended 30 June				
	2009		2008		% change
	Sales volume (Tonne)	% of total sales volume	Sales volume (Tonne)	% of total sales volume	
Steel cord for:					
– truck tyres	17,534	73.1	14,082	72.4	+24.5
– passenger car tyres	5,913	24.6	5,115	26.3	+15.6
Others and steel wires	559	2.3	251	1.3	+122.7
Total	24,006	100.0	19,448	100.0	+23.4

The average selling price of steel cord was RMB13,522 per tonne for the period, which was similar to RMB13,587 per tonne for the same period last year, while the growth in sales volume contributed to the increase in revenue of this segment by 25.5% over the same period last year to HK\$367,314,000 (2008: HK\$292,717,000) for the period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**BUSINESS REVIEW (continued)****Steel cord (continued)**

Although revenue increased, gross profit declined by 6.3% over the same period last year to HK\$44,858,000 (2008: HK\$47,870,000) for the period, which was primarily attributable to the higher cost of inventories brought forward from the end of 2008 and the low utilization of production capacity in the first quarter in light of the aftermath of the financial tsunami. Besides, costs were incurred by TESC, our new company engaged in the manufacturing of steel cords, in the first half year, to prepare for the operation in the second half year. Gross profit margin was thus 12.2% for the period, dropped by 4.2 percentage points as compared to 16.4% for the same period last year. To tackle such difficulties, the management had adopted various measures, for instance, reducing costs of procurement of materials, enhancing the efficiency of production process and strengthening sales marketing. These effective measures caused an average gross profit margin to rebound from a low level of 4.8% in the first quarter to the same of 16.7% in the second quarter; which represented a slight improvement of 0.3 percentage point as compared to the same period last year.

During the period, JESC and TESC received unconditional grants totalling HK\$89,732,000 from the local government of Jiaxing City, Zhejiang and Tengzhou City, Shandong respectively.

Distribution and selling expenses increased by 32.5% over the same period last year to HK\$6,749,000 for the period, which was primarily attributable to the increase in revenue and our added effort in sales marketing partly to counter the adverse effect of the financial crisis but more importantly, to draw up market awareness on the new capacity of TESC.

Administrative expenses amounted to HK\$12,197,000 for the period, an increase of 53.3% over the same period last year, as initial operating costs were incurred by TESC. When TESC's administrative expenses of approximately HK\$4,001,000 were excluded, administrative expenses of this segment would be HK\$8,196,000 for the period, slightly decreased by 0.6% as compared to the same period last year.

In summary, the strong performance in the second quarter and the receipt of government grants contributed to the significant increase in operating profit of this segment by 198.6% over the same period last year to HK\$115,000,000 (2008: HK\$38,519,000) for the period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**BUSINESS REVIEW (continued)****Copper and brass products**

The operating performance of the Group's Copper and brass products segment was deeply affected by the aftermath of the global financial turmoil and recorded an operating loss of HK\$433,000 in the first half year, vis-à-vis an operating profit of HK\$5,230,000 for the same period last year. However, this segment already showed great improvement when comparing the operating results on a quarterly basis. An overview of the operating performance of this segment in the first half year is as follows:

	1st quarter	2nd quarter	Change over the first quarter	For the first half year
	<i>Tonne</i>	<i>Tonne</i>	<i>%</i>	<i>Tonne</i>
Sales volume	437	773	+76.9	1,210
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>
Revenue	14,704	30,241	+105.7	44,945
Gross profit (loss)	(2,366)	5,454	N/A	3,088
Gross profit (loss) margin	-16.1%	18.0%		6.9%
Operating profit (loss)	(4,056)	3,623	N/A	(433)

The contraction in demand caused the sales volume of this segment to decline by 36.1% over the same period last year to 1,210 tonnes (2008: 1,893 tonnes) for the period. The management had painstakingly developed the domestic sales business in the first half year, the percentage of domestic sales in the Mainland China therefore increased from 1.9% in the same period last year to 13.6% for the period, while the percentage of sales outside Mainland China dropped from 98.1% in the same period last year to 86.4% for the period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**BUSINESS REVIEW (continued)****Copper and brass products (continued)**

In addition to the decrease in sales volume, average selling price also dropped following the decline in copper price as compared to that of the same period last year. The average London Metals Exchange ("LME") 3-month copper price was US\$4,018 per tonne for the period, representing a drop of 47.5% as compared to US\$7,648 per tonne for the same period last year. In line with the decline in LME 3-month copper price, average selling price dropped by 41.0% over the same period last year to HK\$37,145 (2008: HK\$63,004) per tonne for the period. Because of the decline in sales volume and average selling price, revenue for the period significantly decreased by 62.3% over the same period last year to HK\$44,945,000 (2008: HK\$119,267,000) for the period.

As a result of the substantial decrease in revenue, gross profit declined by 64.4% from HK\$8,662,000 in the same period last year to HK\$3,088,000 for the period. Gross profit margin was 6.9% for the period, a slight decrease of 0.4 percentage point as compared to 7.3% for the same period last year.

FINANCIAL REVIEW

The Group recorded profit of HK\$85,678,000 for the period, increased by 179.5% as compared to HK\$30,658,000 for the same period last year.

When comparing the business performance of the Group on quarterly basis, it has significant improvement in the second quarter against those in the first quarter. The related comparison is as follows:

	1st quarter	2nd quarter	Change over the first quarter	For the first half year
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>
Revenue	154,501	268,211	+73.6	422,712
Gross profit	4,641	43,711	+841.8	48,352
Gross profit margin	3.0%	16.3%		11.4%
Net profit (loss), excluding government grants and share of results of a jointly controlled entity which has been disposed of in July 2009	(17,748)	29,050	N/A	11,302

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**FINANCIAL REVIEW (continued)****Revenue**

Revenue of the Group amounted to HK\$422,712,000 for the period, slightly decreased by 1.0% as compared to that of the same period last year. The breakdown of revenue by business segments is as follows:

	2009		2008		% change
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
Steel cord	367,314	86.9	292,717	68.6	+25.5
Copper and brass products	44,945	10.6	119,267	27.9	-62.3
Sub-total	412,259	97.5	411,984	96.5	+0.1
Elimination of inter-segment sales	(1,756)	(0.4)	(97)	–	+1710.3
Other operations (<i>Note</i>)	12,209	2.9	14,922	3.5	-18.2
Total	422,712	100.0	426,809	100.0	-1.0

Note: Mainly comprises trading of pre-stressed concrete strands and wires and investments in properties and securities.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**FINANCIAL REVIEW (continued)****Gross profit**

Gross profit of the Group decreased by 17.1% over the same period last year to HK\$48,352,000 for the period. Gross profit margin was 11.4% for the period, a drop of 2.3 percentage points as compared to 13.7% for the same period last year. The breakdown of gross profit by business segments is as follows:

	For the six months ended 30 June				
	2009		2008		
	Gross profit margin		Gross profit margin		%
	HK\$'000	(%)	HK\$'000	(%)	change
Steel cord	44,858	12.2	47,870	16.4	-6.3
Copper and brass products	3,088	6.9	8,662	7.3	-64.4
Sub-total	47,946	N/A	56,532	N/A	-15.2
Other operations	406	3.3	1,811	12.1	-77.6
Total	48,352	11.4	58,343	13.7	-17.1

Investment income

Investment income amounted to HK\$1,811,000 for the period, significantly decreased by 70.4% as compared to HK\$6,125,000 for the same period last year. Both interest income from bank deposits and dividend income from listed investments reduced as the Group's surplus funds had been utilized for the development plan of TESC since the fourth quarter of 2008.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**FINANCIAL REVIEW (continued)****Other income and gains, and other expense and losses**

The net amount of other income and gains, and other expense and losses of the Group was HK\$89,652,000 for the period, increased by 127.2% as compared to the net amount of the same of HK\$39,453,000 for the same period last year. The breakdown is as follows:

	For the six months ended 30 June		
	2009	2008	
	HK\$'000	HK\$'000	% change
Government grants	89,732	–	N/A
Gain on disposal of listed available-for-sale investments	–	53,198	–100.0
Change in fair value of derivative financial instruments	1,396	(204)	N/A
Foreign exchange loss	(2,636)	(16,335)	–83.9
(Provision for) reversal of allowance for bad and doubtful debts, net	(36)	2,398	N/A
Others	1,196	396	+202.0
Total	89,652	39,453	+127.2

Distribution and selling expenses

These expenses increased by 13.9% over the same period last year to HK\$7,327,000 (2008: HK\$6,433,000), owing to the increase in transportation expenses as the sales revenue of Steel cord segment increased by 25.5% over the same period last year.

Administrative expenses

Administrative expenses of the Group amounted to HK\$30,459,000 for the period, decreased by 39.5% as compared to HK\$50,358,000 for the same period last year. When the share-based payment expenses in relation to the previous grant of certain share options of HK\$25,000 (2008: HK\$23,285,000) were excluded, administrative expenses would be HK\$30,434,000, an increase of 12.4% as compared to HK\$27,073,000 for the same period last year, as additional costs were incurred by TESC in respect of its development plan during the period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**FINANCIAL REVIEW (continued)****Segment results**

Profit from the Group's business segments amounted to HK\$114,567,000 for the period, representing an increase of 161.9% as compared to HK\$43,749,000 for the same period last year. The breakdown of the results by business segments is as follows:

	For the six months ended 30 June		
	2009 HK\$'000	2008 HK\$'000	% change
Steel cord	115,000	38,519	+198.6
Copper and brass products	(433)	5,230	N/A
Total	<u>114,567</u>	<u>43,749</u>	+161.9

Finance costs

The Group's finance costs dropped by 36.1% over the same period last year to HK\$1,240,000 (2008: HK\$1,940,000) for the period, as the average bank borrowings reduced significantly as compared to that of the same period last year.

Share of result of a jointly controlled entity

The revenue of Shanghai Shenjia amounted to HK\$196,622,000 for the period, decreased by 36.7% as compared to HK\$310,704,000 for the same period last year. Affected by the higher cost of inventories brought forward from the end of 2008 and decreased selling price, its gross profit substantially dropped by 63.4% as compared to the same period last year to HK\$18,963,000 (2008: HK\$51,820,000) for the period. Gross profit margin therefore declined from 16.7% in the same period last year to 9.6% for the period. Attributable to the sharp decrease in gross profit, Shanghai Shenjia recorded a net loss of HK\$5,842,000 for the period, whereas it has a net profit of HK\$4,084,000 for the same period last year. The Group shared a loss of HK\$1,461,000 for the period, as opposed to share of profit of HK\$1,021,000 for the same period last year.

No further share of loss is anticipated in the second half year as the Company has disposed of the entire equity interest in Shanghai Shenjia, details as disclosed in '**DISPOSAL OF INTEREST IN A JOINTLY CONTROLLED ENTITY**' section below.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Income tax expenses

Income tax expenses of the Group amounted to HK\$13,650,000 for the period, decreased by 12.2% as compared to HK\$15,553,000 for the same period last year.

DISPOSAL OF INTEREST IN A JOINTLY CONTROLLED ENTITY

The Company announced on 8 July 2009 that Everlite Century Limited (“Everlite”), an indirect wholly owned subsidiary of the Company, entered into an agreement with the substantial shareholder of Shanghai Shenjia, in which Everlite agreed to dispose of the entire 25% equity interest in Shanghai Shenjia for a consideration of RMB40,000,000 (equivalent to approximately HK\$45,360,000).

As Shanghai provincial government has implemented structural adjustment programme in accordance with relevant statutory requirements for energy conservation and emissions reduction policy, Shanghai Shenjia therefore was required to cease operating its production line and relocate its plant. The relocation would incur a considerable amount of expenses to Shanghai Shenjia and the Board anticipated that Shanghai Shenjia would not be able to continue to make contribution to the Group in the next few years. In view of the uncertain and billowy future of Shanghai Shenjia, the Board believed that it was in the interest of the Group to dispose of the entire equity interest in Shanghai Shenjia.

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can continue to maintain a sustainable growth and providing a long-term reasonable return to its Shareholders. It is imperative to maintain the debt and equity ratio of the Group at a secure and manageable level.

During the period, 34,608,000 share options were exercised and therefore the same number of new Shares was issued accordingly. The issued share capital of the Company then increased from 1,867,736,556 Shares at 31 December 2008 to 1,902,344,556 Shares at 30 June 2009. In addition to the proceeds from the issue of new Shares, the increase in fair value of the Group’s listed available-for-sale investments also contributed to the increase in net assets of the Group from HK\$1,836,685,000 at 31 December 2008 to HK\$1,964,124,000 at 30 June 2009. Net asset value was HK\$1.03 per Share at 30 June 2009, increased by 5.1% as compared to HK\$0.98 at 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES (continued)**

The Group's bank balances and cash (including restricted bank deposits) amounted to HK\$277,520,000 at 30 June 2009, lowered by 31.0% as compared to HK\$402,322,000 at 31 December 2008. Bank borrowings of the Group increased from HK\$115,731,000 at 31 December 2008 to HK\$179,974,000 at 30 June 2009. Net cash position was lower as funds were utilized for the capacity expansion plan of the Group's Steel cord segment during the period.

As at 30 June 2009, HK\$85,084,000 of bank borrowings were variable-rate borrowings, while HK\$94,890,000 of bank borrowings were collared at rate ranging from 1.00% to 2.26% per annum. The nature and maturity profile of the Group's bank borrowings as at 30 June 2009 were as follows:

	<i>HK\$'000</i>
Due within one year or on demand:	
– Trust receipt loans	11,355
– Bank advances for discounted bills	15,881
– Short term bank loans and current portion of medium term loan	122,759
	<hr/>
Sub-total	149,995
Portion of medium term loan due in the second year	29,979
	<hr/>
Total	179,974
	<hr/> <hr/>

Despite the reduced cash holdings, the Group still maintained a net cash position at 30 June 2009. The current ratio of the Group was 2.8 times at 30 June 2009, as compared to 5.6 times at 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**FOREIGN CURRENCY AND INTEREST RATE EXPOSURES**

The Group's sources of revenue are principally denominated in RMB and HKD, while purchases and payments are in RMB, HKD and USD. Besides, the Group also made payments in EUR and GBP during the period to acquire plant and machineries for the Group's Steel cord business expansion plan. Bank borrowings on these currencies were raised to finance such payments, taking advantage of their lower interest rates as compared to borrowings in RMB. The currency mix of the bank borrowings of the Group at 30 June 2009 was as follows:

	30 June 2009	31 December 2008
	%	%
HKD	63.3	84.7
RMB	10.1	15.3
USD	3.2	–
EUR	18.5	–
GBP	4.9	–
	<hr/>	<hr/>
Total	100.0	100.0
	<hr/> <hr/>	<hr/> <hr/>

The majority of the Group's bank borrowings at 30 June 2009 remained to be denominated in HKD as its borrowing rate was relatively lower than those of the RMB, where the major source of the Group's revenue is in RMB. For the borrowings in EUR and GBP, the exchange rate at the loan repayment date had already been fixed with the lending bank, so the exchange rate exposure in respect of these foreign currency borrowings had been minimized.

In all, we would keep monitoring the currency composition of our bank borrowings under the guidance of the Control Manual and take appropriate action to minimize our exchange and interest rate risks when needed.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Steel cord

The construction of the new steel cord production plant with production capacity of 100,000 tonnes per annum by TESC had proceeded according to schedule. The first phase with 30,000 tonnes of production capacity per annum is expected to be completed by the end of 2009. Therefore, by the end of this year, the Group's Steel cord segment will have total production capacity of approximately 100,000 tonnes per annum. Capital expenditures incurred in the first half year amounted to approximately HK\$377,688,000. The capital expenditures to be incurred in the second half year is estimated to be approximately HK\$275,981,000, which will be financed by the Group's internal resources and bank borrowings.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 30 June 2009, the Group had a total of 1,482 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to the consolidated income statement for the period amounted to approximately HK\$2,438,000. The Group had also provided training programme or course for the mainland staff at all levels from different departments so as to further enhance their technical skills in production operation.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to individual performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP (continued)**

In addition, the Company had adopted a share option scheme (the "Scheme"). Under the Scheme, the Board shall, subject to and in accordance with the provisions of the Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for Shares for the purpose of providing incentives or rewards to him/her for contribution to the Group. The Scheme will remain in force for a period of ten years from the date of its adoption. During the period, no share options were granted, while a total of 34,608,000 share options to subscribe for Shares and 9,152,000 share options were exercised and cancelled respectively.

PLEDGE OF ASSETS

As at 30 June 2009, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings with net book value of HK\$6,554,000; and
2. Bank deposits amounting to HK\$3,000,000.

BUSINESS OUTLOOK

During the period, the Group had accomplished the production plans and operation targets in its Steel cord segment. Our new steel cord manufacturing plant, TESC's brass coated wire production line had started operation on 8 June 2009 and its final products production line had also commenced trial runs on 6 August 2009. The management is pleased to see that customer base is broadened for both JESC and TESC in view of the added capacity. In addition to the development of new customers, our old customers had started placing further orders in the second quarter of 2009, after they withheld their orders for the first quarter to wait for the recovery of economy.

In the second half of the year, the Group will continue to strive for integration of resources, improving skill of techniques and technologies, controlling the production costs and enhancing our leading position in steel cord industry. It is the goal of the Group to construct a 200,000 tonnes class tyre cord manufacturing concern by 2011.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS OUTLOOK (continued)

In respect of the Copper and brass products segment, the Group will emphasize on domestic sales market to overcome the difficulties of the substantial drop in overseas demand with the aim to develop new revenue driver for the Group.

The Group is dedicated to achieving solid growth. Although there are still have challenges arising from the weak global economy, we will continue to implement our scheduled strategy on our core business, steel cord manufacturing and take cautious measures to weather any challenge ahead.

With our dedication and continuous upward trend of sales volume of our core products, steel cords, it is anticipated that the Group's operating results and performance will further improve in the second half year of 2009 as compared to the first six months of the year. We will also try to explore any other potential opportunity, for instance other metal products business, in order to achieve greater return to our Shareholders for their continual support.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2009 (2008: HK1 cent per Share).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES

As at 30 June 2009, save for the interests of the Directors in the Shares and share options of the Company set out as below, none of the Directors had any interests and short positions in the Shares, debentures or underlying Shares or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code.

Long position in Shares

(a) Ordinary Shares of HK\$0.10 each of the Company

Name of Director	Total number of Shares held	Approximate % of the issued share capital	Capacity in which interest are held
Cao Zhong ("Mr. Cao")	7,652,000	0.40	Beneficial owner
Li Shaofeng ("Mr. Li")	7,652,000	0.40	Beneficial owner
Tong Yihui ("Mr. Tong")	4,000,000	0.21	Beneficial owner
Tang Cornor Kwok Kau ("Mr. Tang")	7,500,000	0.39	Beneficial owner (Note)

Note: Those Shares were beneficially owned by Mr. Tang and in which of 200,000 Shares were also jointly owned by his wife.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES (continued)

Long position in Shares (continued)

(b) Share options

As at 30 June 2009, there were a total of 214,860,000 outstanding share options of the Company granted to Directors, details of which are summarized in the following table:

Name of Director	Options to subscribe for Shares				Date of exercise	Date of grant (Note b)	Exercise period	Exercise price per Share HK\$	Capacity in which interests are held	Approximate % of the issued share capital
	Number of outstanding share options held at the beginning of the period	Number of share options granted during the period	Number of share options exercised during the period	Number of outstanding share options held at the end of the period						
Mr. Cao	7,652,000	-	(7,652,000)	-	7/5/2009	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	57,350,000 (Note a)	-	-	- 57,350,000		2/10/2003	2/10/2003 to 1/10/2013	0.780		
	17,000,000	-	-	- 17,000,000		28/1/2008	28/1/2008 to 27/1/2018	0.864		
	<u>82,002,000</u>	<u>-</u>	<u>(7,652,000)</u>	<u>74,350,000</u>					Beneficial owner	3.90
Mr. Li	7,652,000	-	(7,652,000)	-	7/5/2009	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	30,614,000 (Note a)	-	-	- 30,614,000		25/6/2003	25/6/2003 to 24/6/2013	0.365		
	13,800,000	-	-	- 13,800,000		28/1/2008	28/1/2008 to 27/1/2018	0.864		
	<u>52,066,000</u>	<u>-</u>	<u>(7,652,000)</u>	<u>44,414,000</u>					Beneficial owner	2.33
Mr. Tong	7,652,000	-	(4,000,000)	3,652,000	2/6/2009	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	38,268,000 (Note a)	-	-	- 38,268,000		25/6/2003	25/6/2003 to 24/6/2013	0.365		
	10,000,000	-	-	- 10,000,000		28/1/2008	28/1/2008 to 27/1/2018	0.864		
	<u>55,920,000</u>	<u>-</u>	<u>(4,000,000)</u>	<u>51,920,000</u>					Beneficial owner	2.72
Leung Shun Sang, Tony	4,592,000	-	-	- 4,592,000		23/8/2002	23/8/2002 to 22/8/2012	0.295		
	3,060,000	-	-	- 3,060,000		12/3/2003	12/3/2003 to 11/3/2013	0.325		
	4,592,000	-	-	- 4,592,000		25/8/2003	25/8/2003 to 24/8/2013	0.740		
	12,000,000	-	-	- 12,000,000		28/1/2008	28/1/2008 to 27/1/2018	0.864		
	<u>24,244,000</u>	<u>-</u>	<u>-</u>	<u>24,244,000</u>					Beneficial owner	1.27

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES (continued)

Long position in Shares (continued)

(b) Share options (continued)

Name of Director	Options to subscribe for Shares				Number of outstanding share options held at the end of the period	Date of grant (Note b)	Exercise period	Exercise price per Share HK\$	Capacity in which interests are held	Approximate % of the issued share capital
	Number of outstanding share options held at the beginning of the period	Number of share options granted during the period	Number of share options exercised during the period	Date of exercise						
Mr. Tang	500,000	-	-	-	500,000	25/8/2003	25/8/2003 to 24/8/2013	0.740		
	10,000,000	-	-	-	10,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	<u>10,500,000</u>	<u>-</u>	<u>-</u>		<u>10,500,000</u>				Beneficial owner	0.55
Geert Johan Roelens	2,000,000	-	-	-	2,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	0.10
Yip Kin Man, Raymond	382,000	-	-	-	382,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	382,000	-	-	-	382,000	25/8/2003	25/8/2003 to 24/8/2013	0.740		
	252,000	-	-	-	252,000	26/1/2007	26/1/2007 to 25/1/2017	0.656		
	1,800,000	-	-	-	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	<u>2,816,000</u>	<u>-</u>	<u>-</u>		<u>2,816,000</u>				Beneficial owner	0.14
Law, Yui Lun	1,016,000	-	-	-	1,016,000	26/1/2007	26/1/2007 to 25/1/2017	0.656		
	1,800,000	-	-	-	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	<u>2,816,000</u>	<u>-</u>	<u>-</u>		<u>2,816,000</u>				Beneficial owner	0.14
Chan Chung Chun	1,800,000	-	-	-	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	0.09
	<u>234,164,000</u>	<u>-</u>	<u>(19,304,000)</u>		<u>214,860,000</u>					

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES (continued)

Long position in Shares (continued)**(b) Share options (continued)**

Notes:

- (a) Share options granted were in excess of the individual limit and the approval from Shareholders was obtained in general meetings held on 25 June and 2 October 2003.
- (b) The vesting period of the share options is from the date of grant to the end of the exercise period.

The above share options are unlisted cash settled options granted pursuant to the Scheme of the Company adopted on 7 June 2002. Upon exercise of the share options in accordance with the Scheme, ordinary Shares of HK\$0.10 each in the share capital of the Company are issuable. The share options are personal to the respective Directors.

Other than the holdings and option holdings disclosed above, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, debentures or underlying Shares or any of its associated corporations at 30 June 2009.

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES UNDER THE SFO

As at 30 June 2009, so far as was known to the Directors, the following parties had an interest or long position or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered in the register referred therein:

Long position in Shares or underlying Shares

Name of Shareholder	Total number of Shares/ underlying Shares held	Approximate % of the issued share capital	Capacity in which interests are held
Richson	148,537,939	7.80	Beneficial owner
Fair Union	686,655,179	36.09	Beneficial owner and interests of controlled corporations <i>Note (1)</i>
Casula	402,395,304	21.15	Beneficial owner
Shougang International	686,655,179	36.09	Interests of controlled corporations <i>Note (2)</i>
Able Legend	126,984,000	6.67	Beneficial owner
Shougang HK	879,715,179	46.24	Interests of controlled corporations <i>Note (3)</i>
Bekaert Holding	250,000,000	13.14	Beneficial owner <i>Note (4)</i>
Bekaert	250,000,000	13.14	Interests of controlled corporations <i>Note (5)</i>
Li Ka Shing Foundation	100,000,000	5.25	Beneficial owner <i>Note (6)</i>

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares or underlying Shares (continued)

Notes:

- (1) Fair Union is beneficially interested in 135,721,936 Shares and by virtue of the SFO, it is deemed to be interested in the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Richson and Casula are its wholly owned subsidiaries.
- (2) By virtue of the SFO, Shougang International is deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Richson and Casula are wholly owned by Fair Union, a wholly owned subsidiary of Shougang International.
- (3) By virtue of the SFO, Shougang HK is deemed to be interested in the 126,984,000 Shares and the 52,206,000 Shares held by Able Legend and Prime Success Investments Limited ("Prime Success") respectively as Able Legend and Prime Success are its wholly owned subsidiaries and is deemed to be interested in the 13,870,000 Shares held by Lyre Terrace Management Limited, a subsidiary of Shougang Grand and Shougang HK is the controlling shareholder of Shougang Grand. It is also deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as it is the controlling shareholder of Shougang International.
- (4) Bekaert Holding is beneficially interested in the 250,000,000 Shares.
- (5) By virtue of the SFO, Bekaert is deemed to be interested in the 250,000,000 Shares held by Bekaert Holding, which is a wholly owned subsidiary of Bekaert.
- (6) Li Ka Shing Foundation is beneficially interested in 100,000,000 Shares.

SHARE OPTION SCHEME

Save as disclosed in the above sub-section “**Share options**” under “**DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES**”, and the details of the share options of employees and other eligible participants set out as below, no share option had been granted, exercised, cancelled or lapsed:

Options to subscribe for Shares									
Category of participant	Number of outstanding share options held at the beginning of the period	Number of share options granted during the period	Number of share options exercised during the period	Date of exercise	Number of share options cancelled during the period	Number of outstanding share options held at the end of the period	Date of grant <i>Note (a)</i>	Exercise period	Exercise price per Share <i>HK\$</i>
Employees other than the Directors	15,220,000	-	-	-	(1,500,000)	13,720,000	25/8/2003	25/8/2003 to 24/8/2013	0.740
	29,700,000	-	-	-	-	29,700,000	28/1/2008	28/1/2008 to 27/1/2018	0.864
	400,000 <i>Note (b)</i>	-	-	-	-	400,000	28/1/2008	28/1/2011 to 27/1/2018	0.864
	45,320,000	-	-	-	(1,500,000)	43,820,000			
All other eligible participants	7,652,000	-	-	-	(7,652,000)	-	23/8/2002	23/8/2002 to 12/4/2009	0.295
	9,948,000	-	(7,652,000)	8/5/2009	-	2,296,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
	20,660,000	-	(7,652,000)	12/5/2009	-	13,008,000	12/3/2003	12/3/2003 to 11/3/2013	0.325
	38,260,000	-	(15,304,000)	-	(7,652,000)	15,304,000			
Total	83,580,000	-	(15,304,000)	-	(9,152,000)	59,124,000			

Notes:

- The vesting period of the share option is from the date of grant to the end of the exercise period except for the share options set out under Note (b) below.
- 400,000 share options have a vesting period of three years from the date of grant.
- The 1,500,000 share options and the 7,652,000 share options granted to an employee of a subsidiary of the Company and an eligible participant be cancelled respectively during the period due to his resignation and her retirement.
- The weighted average closing price of the Shares on the trading days immediately before the date (i.e. 7/5/2009, 8/5/2009, 12/5/2009, 2/6/2009) on which the share options were exercised was HK\$0.493.

SHARE OPTION SCHEME (continued)

400,000 share options were granted on 28 January 2008 and vested with three years vesting period from the date of grant. The fair value of such options determined at the date of grant using the binomial option pricing model and recognized during the period was approximately HK\$25,000 and the following assumptions were used to calculate the fair value of these share options:

28 January 2008

Closing price of the Shares at grant date	HK\$0.800
Exercise price	HK\$0.864
Contractual life	10 years
Expected volatility	66.37%
Dividend yield	1.25%
Risk-free interest rate	2.505%

Further details of the Company's share options are set out in note 20 to the condensed consolidated financial statements.

DISCLOSURE OF INFORMATION ON DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information on Director is as follows:

Mr. Law, Yui Lun, independent non-executive director of the Company, was appointed as an independent non-executive director of Vision Tech International Holdings Limited (Stock Code : 922), a company listed on the main board of the Stock Exchange, on 10 June 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to practicing and achieving a high standard of corporate governance. It also recognizes that an effective internal control system is crucial to the long term development of the Company. Hence, the Board reviews from time to time the effectiveness of the system of internal control of the Group, such as financial, operational and compliance controls and risk management functions. The Company has adopted the SCCHL Corporate Governance Code and the Control Manual, which will be amended and revised in order to enhance the effectiveness of the corporate governance practices and the internal control system, and also to be in line with the relevant amendments to the law, rules and regulations.

In the opinion of the Board, the Company has complied with the principles and code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and the SCCHL Corporate Governance Code throughout the six months ended 30 June 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has approved and adopted the SCCHL Code on terms no less exacting than Model Code. The Board has revised and adopted the new SCCHL Code on 4 April 2005, 7 April 2008 and 1 January 2009 respectively.

The Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the SCCHL Code during the period under review.

AUDIT COMMITTEE

The Company's audit committee comprises of three independent non-executive Directors, namely Mr. Yip Kin Man, Raymond, Mr. Law, Yui Lun and Mr. Chan Chung Chun. Mr. Yip acts as the chairman of the committee. The audit committee was established with specific written terms of reference with the task of monitoring the financial reporting procedures, reviewing internal control and risk management system of the Group and meeting with the external auditors. The Company has engaged the auditor to assist the audit committee to review the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2009. During the meetings of the audit committee for the period under review, the audit committee members, amongst other things, had reviewed the accounting principles and practices adopted by the Group and discussed the financial report matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2009.

APPRECIATION

The Board would like to thank all the staff of the Group for their loyalty and diligence, and Shareholders, investors and business partners for their continuous support.

By Order of the Board
Cao Zhong
Chairman

Hong Kong, 7 September 2009

This interim report can also be accessed through the internet at the Stock Exchange's website at <http://www.hkexnews.hk> and the Company's website at <http://www.shougangcentury.com.hk> under the "Investor Relations" or "Corporate News" sections.

DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meaning set out below:

“Able Legend”	Able Legend Investments Limited, a subsidiary of Shougang HK
“Bekaert”	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial shareholder of the Company
“Bekaert Holding”	Bekaert Holding B.V., a wholly owned subsidiary of Bekaert
“Board”	the board of Directors of the Company
“Casula”	Casula Investments Limited, a wholly owned subsidiary of Shougang International
“Code”	the code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
“Company”	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Control Manual”	an internal management and control manual of the Company adopted in 1999 and revised from time to time thereafter
“Copper and brass products”	processing and trading of copper and brass products
“Director(s)”	the director(s) of the Company
“EUR”	Euro, the lawful currency of the Eurozone
“Fair Union”	Fair Union Holdings Limited, a wholly owned subsidiary of Shougang International
“GBP”	pound sterling, the lawful currency of the United Kingdom
“Group”	the Company and its subsidiaries
“HKD/HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS (continued)

“HKSAR Government”	Government of the Hong Kong Special Administrative Region
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JESC”	Jiayang Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“Li Ka Shing Foundation”	Li Ka Shing Foundation Limited, a “charitable body” within the meaning of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), a substantial shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China
“Richson”	Richson Limited, a wholly owned subsidiary of Shougang International
“RMB”	Renminbi, the lawful currency of the PRC
“SCCHL Code”	Model Code for Securities Transactions by Directors of Shougang Concord Century Holdings Limited adopted in 2004 and revised from time to time thereafter
“SCCHL Corporate Governance Code”	Shougang Concord Century Holdings Limited Code on Corporate Governance
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS (continued)

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shanghai Shenjia”	Shanghai Shenjia Metal Products Co., Ltd., a company incorporated under the laws of the PRC and an indirect jointly controlled entity of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Shougang Grand”	Shougang Concord Grand (Group) Limited (Stock Code: 730), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Shougang HK”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a substantial shareholder of the Company
“Shougang International”	Shougang Concord International Enterprises Company Limited (Stock Code: 697), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange, a substantial shareholder of the Company
“Steel cord”	manufacturing of steel cord for radial tyres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TESC”	Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“USD/US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.